



March 25, 2022

Dr. Catherine Garoupa White, Central Valley Air Quality Coalition  
Sasan Saadat, Earthjustice  
Jesus Alonso, Clean Water Action  
Janet Dietz Kamei, Resident

**Re: Emission Reduction Credit Comment Letter**

Thank you for your letter dated February 11, 2022, in which you provided comments regarding the ongoing efforts to review and enhance the District's offsetting requirements and associated emission reduction credit and federal offset equivalency programs. In addition, the District thanks you for participating in the Emission Reduction Credit Public Advisory Workgroup (PAW) and your ongoing commitment in working with the District and Valley stakeholders on this matter.

In response to the California Air Resources Board (CARB) review of the District's emission reduction credit program, the District committed to taking the following specific steps in response to the review to enhance the ERC program as necessary to maintain an effective permitting system that allows for protection of public health and strong economic growth:

- Conduct a public workshop each year, beginning with the 2019-2020 equivalency demonstration, to present the results of the annual equivalency demonstration prior to taking the report to the District's Governing Board.
- Enhance the annual demonstration report to make the report more understandable beginning with the 2019-2020 equivalency demonstration, including more fully characterizing adjustments made to year-to-year carry-overs to ensure the public can better understand all adjustments effective in a tracking year.
- Convene a public advisory working group consisting of affected stakeholders, including regulated Valley businesses, Valley residents, and federal, state, and local public agencies, to assist in developing solutions related to the District's offset equivalency system, as needed to maintain an effective permitting system that allows for protection of public health and strong economic growth.
- Adjust calculated emission reductions from all affected Agricultural Internal Combustion Engine Conversion Incentive Program (AG-ICE) projects to reflect the appropriate load-factor, and incorporate these adjustments into the 2020 equivalency demonstration. The District will include a discussion of the analysis and adjustments in the 2019-2020 report.

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- Analyze the orphan shutdown projects identified by CARB, and make adjustments, as appropriate, for inclusion in the 2019-2020 equivalency demonstration. The District will include a discussion of the analysis and adjustments in the 2019-2020 report.
- Update the District's policies that pertain to the quantification of emissions reductions from orphan shutdowns, and ensure procedures and associated staff training maintain consistency with District NSR criteria for creditability of emissions reductions.
- Develop a new equivalency tracking database, including associated documentation.

The District has been working diligently to fulfill these commitments with the District's Governing Board taking a series of significant proactive actions to end the federal offset equivalency system for NOx and VOC. At this point in time, each new major source or federal major modification project is required to comply with the federal offset requirements of 40 CFR 51.165 and part D of Title I of the Clean Air Act, and the value of offsets provided must be surplus at the time of project finalization.

On February 17, 2022, the District provided the Governing Board with an update on the progress in satisfying the aforementioned commitments. As outlined in the presentation, the District has made significant progress in fulfilling the specific commitments made to address the findings contained in the CARB review.<sup>1</sup> At this meeting, the Governing Board also directed staff begin the formal rule development process to amend Rule 2201 to clarify and ensure the applicability and offset requirements comply with the federal new source review requirements. The Rule 2201 amendment process will begin with an initial public scoping meeting planned for April 2022. We look forward to continue working with the PAW and other interested Valley stakeholders to identify rule enhancement opportunities throughout the rule development process.

Your letter also included additional suggestions for process enhancements. The District agrees that PAW meetings should be recorded and made available to public. The District is currently creating a new webpage specifically for PAW-related information, including meeting agendas, presentations, and future recordings. This new resource will be available by the next PAW meeting, which is scheduled for April 7, 2022. Regarding adding a 3rd party mediator to the PAW meetings, the District does not believe this is necessary or appropriate given the role of the PAW. The purpose of the PAW is not to take formal actions where consensus or compromise by PAW members is necessary. The PAW was formed to assist in developing solutions and providing input towards future enhancements to the District's program. At each PAW meeting, PAW members and the public are provided an open floor to provide comments and ask questions. Lastly, the District is working through and fulfilling its commitments to CARB in response to the review, and the District looks forward to evaluating additional enhancement opportunities through the public Rule 2201 amendment process.

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<sup>1</sup> [http://www.valleyair.org/Board\\_meetings/GB/agenda\\_minutes/Agenda/2022/February/presentations/11.pdf](http://www.valleyair.org/Board_meetings/GB/agenda_minutes/Agenda/2022/February/presentations/11.pdf)

Please feel free to contact me if you have any questions. I can be reached at (559) 230-5900 or via e-mail at [errol.villegas@valleyair.org](mailto:errol.villegas@valleyair.org).

Sincerely,

A handwritten signature in black ink, appearing to read 'Errol Villegas', written in a cursive style.

Errol Villegas  
Permit Services Manager

cc: Todd Sax, CARB  
Meredith Kurpius, Laura Yannayon, EPA Region 9